

# Business Case for Environmental Upgrade Finance





How building owners can use Environmental Upgrade Finance to increase cash flow and improve asset values

## WHAT IS ENVIRONMENTAL UPGRADE FINANCE?

Environmental Upgrade Finance is a new and growing form of finance provided by major financiers in Australia for commercial building upgrades that reduce operating costs and improve energy, waste or water efficiency or increase renewable energy.

## WHAT ARE THE BENEFITS FOR BUILDING OWNERS?

Environmental Upgrade Finance can help building owners improve their property asset without the risks and negative cash flow implications of traditional finance. It can fund improvements to buildings which can reduce operating costs, increase yields, help attract and retain tenants and increase asset values. Benefits include:

<p><b>1. No upfront capital or security</b></p>  <p>Upgrades can be made at zero upfront cost to the building owner, and with no additional security required. Traditional finance often requires additional security, and will usually not cover all project costs.</p>	<p><b>3. Improved cash flow</b></p>  <p>Longer finance terms mean lower annual repayments, delivering immediate cash flow benefits to the owner. Under short term traditional finance, capital intensive upgrades may be unattractive due to the significant impact on cashflow.</p>
<p><b>2. Reduced re-financing risk</b></p>  <p>Competitive interest rates are available, fixed for 10 years or potentially longer. This reduces the re-financing risk and allows building owners to plan with more certainty. Traditional finance is generally only available for terms of 2-5 years.</p>	<p><b>4. Win-win for owner and tenants</b></p>  <p>Both owners and tenants benefit from building upgrades, through lower operating costs, a better working environment and a more valuable asset. Environmental Upgrade Finance provides a secure and transparent mechanism for owners and tenants to share the costs in proportion to the benefits they receive. Without this mechanism, it can be difficult for upgrades to be negotiated until the end of a lease.</p>

## WHERE CAN I FIND OUT MORE?

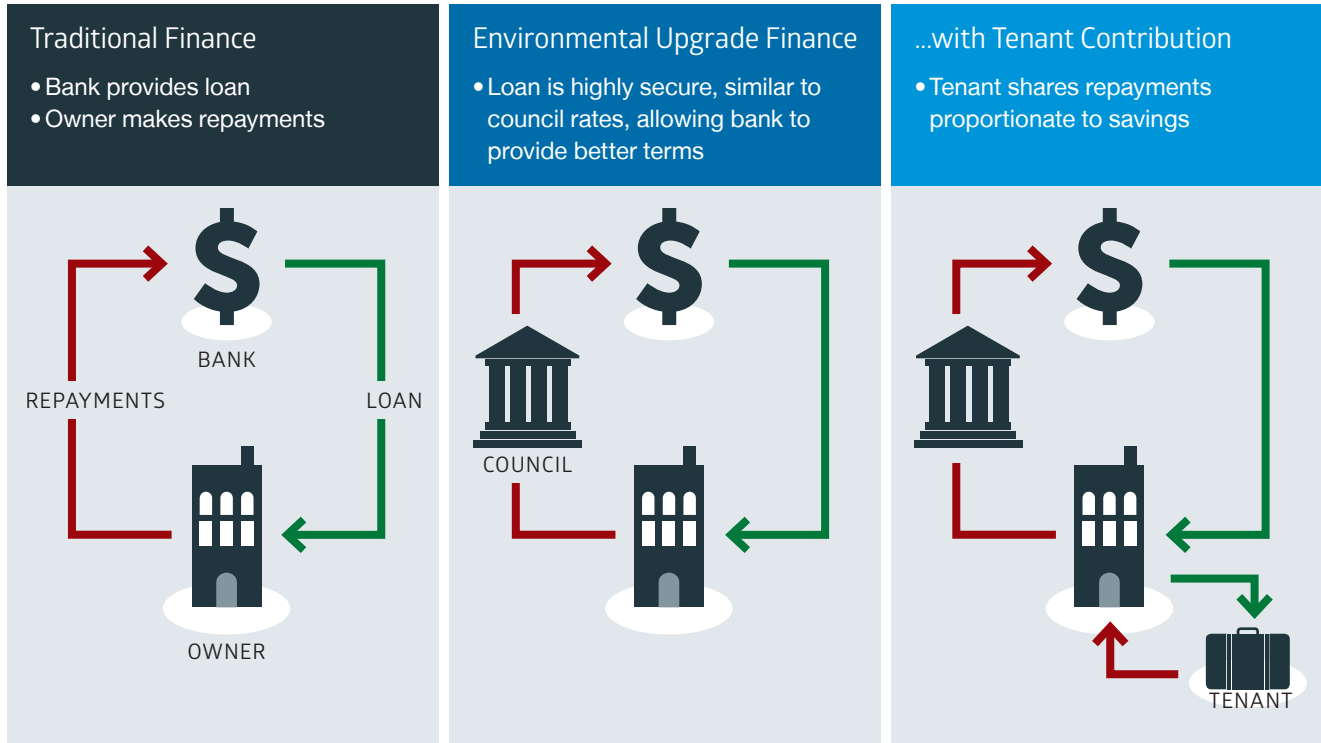
More information is provided at [BetterBuildingFinance.com.au](https://www.betterbuildingfinance.com.au), including:

- Case studies of buildings that have been upgraded using Environmental Upgrade Finance
- Example business cases for a range of other potential building upgrade projects
- A simple comparison calculator that helps you see how Environmental Upgrade Finance could work in your own building

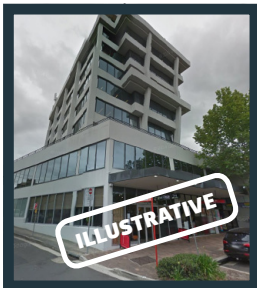
## HOW DOES IT WORK?

A number of financiers including NAB, ANZ and Bankmecu currently offer Environmental Upgrade Finance. This kind of finance is secured against the building, rather than the building owner, with

repayments collected for distribution to the lender by the local council. This structure makes Environmental Upgrade Finance lower risk for financiers, and allows them to offer more attractive finance terms.



## Example Business Case > 182-186 Blues Point Rd, McMahons Point, NSW



### THE CHALLENGE:

- Improve asset to increase yields and maintain full occupancy

### THE OPPORTUNITY:

- Save around \$39,000 annually and boost NABERS energy rating

### ENVIRONMENTAL UPGRADE FINANCE:

- Would enable pro-active, capital-intensive upgrade at zero cost
- Would provide long-term fixed interest rate, reducing cash flow impact in medium term
- Would facilitate sharing of costs with tenants

\*For more information including the full business case go to [www.BetterBuildingFinance.com.au](http://www.BetterBuildingFinance.com.au)

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Department of Industry